

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	9,389,132	11,299,078
Deposits and placements with banks and other financial institutions	9,232,675	9,078,939
Securities purchased under resale agreements	-	50,172
Financial assets at fair value through profit or loss	25,862,657	23,721,031
Financial investments at fair value through other comprehensive income	32,025,440	28,549,073
Financial investments at amortised cost	23,095,149	20,969,566
Derivative financial instruments	1,324,951	1,176,645
Loans, advances and financing	149,240,941	145,520,789
Clients' and brokers' balances	756,426	575,973
Other receivables	1,328,480	1,811,640
Statutory deposits with Central Banks	367,316	418,120
Tax recoverable	55,714	12,792
Investment in associated companies	6,033,182	5,625,998
Property and equipment	1,401,224	1,461,528
Right-of-use assets	226,592	243,990
Investment properties	472,610	472,610
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	<u>222,562</u>	<u>204,598</u>
<b>Total Assets</b>	<b><u>263,445,695</u></b>	<b><u>253,603,186</u></b>
<b><u>Liabilities</u></b>		
Deposits from customers	174,233,022	171,237,064
Investment accounts of customers	685,007	356,475
Deposits and placements of banks and other financial institutions	10,445,524	8,574,291
Obligations on securities sold under repurchase agreements	3,553,227	3,124,132
Bills and acceptances payable	152,845	134,053
Derivative financial instruments	1,936,907	1,401,916
Clients' and brokers' balances	526,589	305,385
Payables and other liabilities	15,826,304	15,197,187
Lease liabilities	217,550	231,268
Recourse obligations on loans/financing sold to Cagamas Berhad	1,040,835	1,049,005
Provision for claims	219,960	223,029
Provision for taxation	513,949	213,569
Deferred tax liabilities	212,190	174,012
Borrowings	717,001	1,152,827
Subordinated obligations	2,197,307	1,906,982
Multi-currency Additional Tier 1 capital securities	806,554	806,499
Insurance funds	<u>17,757,523</u>	<u>16,462,741</u>
<b>Total Liabilities</b>	<b><u>231,042,294</u></b>	<b><u>222,550,435</u></b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	1,432,090	1,711,245
Retained profits	18,033,922	16,910,345
Fair value reserve	280,606	248,248
Treasury shares for ESOS	<u>(238,970)</u>	<u>(238,834)</u>
<b>Total Shareholders' Equity</b>	<b><u>21,774,656</u></b>	<b><u>20,898,012</u></b>
Non-controlling interests	<u>10,628,745</u>	<u>10,154,739</u>
<b>Total Equity</b>	<b><u>32,403,401</u></b>	<b><u>31,052,751</u></b>
<b>Total Liabilities and Equity</b>	<b><u>263,445,695</u></b>	<b><u>253,603,186</u></b>
<b>Commitments and Contingencies</b>	<b><u>171,376,077</u></b>	<b><u>154,878,884</u></b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	<u>19.21</u>	<u>18.43</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

THE GROUP	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2020	Last year quarter ended 31/12/2019	Current year to date 31/12/2020	Last year to date 31/12/2019
	RM '000	RM '000	RM '000	RM '000
Interest income	1,416,240	1,639,339	2,833,326	3,273,168
Interest income for financial assets at fair value through profit or loss	51,044	86,677	102,411	168,638
Interest expense	(578,610)	(939,492)	(1,223,140)	(1,899,105)
Net interest income	888,674	786,524	1,712,597	1,542,701
Income from Islamic banking business	234,228	206,394	452,808	406,185
Non-interest income	496,472	367,083	952,772	737,281
Net income	1,619,374	1,360,001	3,118,177	2,686,167
Overhead expenses	(596,176)	(601,482)	(1,196,800)	(1,183,640)
Operating profit before allowances	1,023,198	758,519	1,921,377	1,502,527
Allowance for impairment losses on loans, advances and financing and other losses	(240,631)	(19,519)	(341,689)	(10,754)
Writeback of/(allowance for) impairment losses on other assets	360	(1,531)	(313)	(1,660)
	782,927	737,469	1,579,375	1,490,113
Share of results of associated companies	184,292	186,763	375,605	347,768
Profit before taxation	967,219	924,232	1,954,980	1,837,881
Taxation	(172,039)	(167,043)	(304,969)	(337,218)
Net profit for the financial period	795,180	757,189	1,650,011	1,500,663
Attributable to:				
Owners of the parent	527,582	502,960	1,114,615	993,161
Non-controlling interests	267,598	254,229	535,396	507,502
Net profit for the financial period	795,180	757,189	1,650,011	1,500,663
Earnings per share - basic (sen)	46.5	44.3	98.3	87.4

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**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	795,180	757,189	1,650,011	1,500,663
Other comprehensive (loss)/income in respect of:				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive (loss)/income of associated companies	(17,428)	3,990	(24,075)	(3,663)
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(65,316)	(14,547)	96,248	(2,775)
- Net loss on disposal	(1,894)	-	(4,634)	-
- Changes in expected credit losses	(186)	412	(115)	468
Net fair value changes in cash flow hedge	1,405	(60)	1,357	(871)
Currency translation differences	(15,978)	(23,594)	(33,001)	(127,435)
Income tax relating to components of other comprehensive income	15,336	4,416	(18,310)	2,217
Other comprehensive (loss)/income for the financial period, net of tax	(84,061)	(29,383)	17,470	(132,059)
Total comprehensive income for the financial period, net of tax	<u>711,119</u>	<u>727,806</u>	<u>1,667,481</u>	<u>1,368,604</u>
Attributable to:				
Owners of the parent	470,056	482,992	1,122,563	905,707
Non-controlling interests	241,063	244,814	544,918	462,897
	<u>711,119</u>	<u>727,806</u>	<u>1,667,481</u>	<u>1,368,604</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	15,051	15,810
Deposits and placements with banks and other financial institutions	3,360	3,360
Financial assets at fair value through profit or loss	-	292,671
Other receivables	752	45,836
Tax recoverable	10,527	10,748
Deferred tax assets	99	83
Investment in subsidiary companies	19,458,302	19,497,956
Property and equipment	3,235	3,578
Right-of-use assets	5,485	5,955
Intangible assets	1	2
<b>Total Assets</b>	<b>19,496,812</b>	<b>19,875,999</b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	9,399	8,569
Lease liabilities	5,507	5,905
Borrowings	742,299	1,208,506
Subordinated obligations	1,600,979	1,600,594
Multi-currency Additional Tier 1 capital securities	805,834	805,639
<b>Total Liabilities</b>	<b>3,164,018</b>	<b>3,629,213</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	275,574	271,942
Retained profits	13,970,799	13,888,423
Treasury shares for ESOS	(180,587)	(180,587)
<b>Total Equity</b>	<b>16,332,794</b>	<b>16,246,786</b>
<b>Total Liabilities and Equity</b>	<b>19,496,812</b>	<b>19,875,999</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2020 RM '000	quarter ended 31/12/2019 RM '000	to date 31/12/2020 RM '000	to date 31/12/2019 RM '000
<b>THE COMPANY</b>				
Interest income	28,108	28,161	56,036	56,127
Interest expense	(35,396)	(41,399)	(74,144)	(84,245)
Net interest expense	(7,288)	(13,238)	(18,108)	(28,118)
Non-interest income	398,097	561,926	399,586	565,721
Net income	390,809	548,688	381,478	537,603
Overhead expenses	(7,031)	(10,030)	(14,338)	(19,903)
(Allowance for)/writeback of impairment losses on other assets	(196)	(189)	(1)	134
Profit before taxation	383,582	538,469	367,139	517,834
Taxation	(152)	(2,593)	(293)	(2,522)
Net profit for the financial period	383,430	535,876	366,846	515,312
Earnings per share - basic (sen)	33.7	47.1	32.2	45.3

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2020 RM '000	quarter ended 31/12/2019 RM '000	to date 31/12/2020 RM '000	to date 31/12/2019 RM '000
<b>THE COMPANY</b>				
Net profit for the financial period	383,430	535,876	366,846	515,312
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	383,430	535,876	366,846	515,312

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

<b>THE GROUP</b>	<b>Share capital</b>	<b>Regulatory reserves#</b>	<b>Fair value reserve</b>	<b>Cash flow hedge reserve</b>	<b>Other reserves</b>	<b>Share options reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Treasury shares for ESOS</b>	<b>Total shareholders' equity</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As at 1 July 2020	2,267,008	860,504	248,248	(5,570)	213,314	74,895	568,102	16,910,345	(238,834)	20,898,012	10,154,739	31,052,751
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	1,114,615	-	1,114,615	535,396	1,650,011
Currency translation differences	-	-	-	-	-	-	(25,085)	-	-	(25,085)	(7,916)	(33,001)
Share of other comprehensive loss of associated companies	-	-	(16,230)	-	-	-	-	-	-	(16,230)	(7,845)	(24,075)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	48,712	-	-	-	-	-	-	48,712	24,992	73,704
- Changes in expected credit losses	-	-	(124)	-	-	-	-	-	-	(124)	(65)	(189)
Net fair value changes in cash flow hedge	-	-	-	675	-	-	-	-	-	675	356	1,031
Total comprehensive income/(loss)	-	-	32,358	675	-	-	(25,085)	1,114,615	-	1,122,563	544,918	1,667,481
<u>Transaction with owners</u>												
Transfer from regulatory reserve	-	(272,078)	-	-	-	-	-	272,078	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(10,875)	-	(10,875)	10,875	-
Dividends paid	-	-	-	-	-	-	-	(284,470)	-	(284,470)	-	(284,470)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(156,945)	(156,945)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	(23,392)	(23,392)
Disposal of shares in subsidiary	-	-	-	-	-	-	-	29,342	-	29,342	98,550	127,892
Options charge arising from executive share scheme	-	-	-	-	-	17,689	-	-	-	17,689	-	17,689
Purchase of treasury shares	-	-	-	-	-	-	-	-	(136)	(136)	-	(136)
Exercise of executive share scheme	-	-	-	-	-	(356)	-	2,887	-	2,531	-	2,531
<b>As at 31 December 2020</b>	<b>2,267,008</b>	<b>588,426</b>	<b>280,606</b>	<b>(4,895)</b>	<b>213,314</b>	<b>92,228</b>	<b>543,017</b>	<b>18,033,922</b>	<b>(238,970)</b>	<b>21,774,656</b>	<b>10,628,745</b>	<b>32,403,401</b>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

<b>THE GROUP</b>	<b>Share capital</b>	<b>Regulatory reserves#</b>	<b>Fair value reserve</b>	<b>Cash flow hedge reserve</b>	<b>Other reserves</b>	<b>Share options reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Treasury shares for ESOS</b>	<b>Total shareholders' equity</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As at 1 July 2019	2,267,008	869,923	116,503	(1,790)	213,314	86,129	510,959	15,196,453	(161,909)	19,096,590	9,504,447	28,601,037
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	993,161	-	993,161	507,502	1,500,663
Currency translation differences	-	-	-	-	-	-	(84,216)	-	-	(84,216)	(43,219)	(127,435)
Share of other comprehensive loss of associated companies	-	-	(2,069)	-	-	-	-	-	-	(2,069)	(1,594)	(3,663)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(1,375)	-	-	-	-	-	-	(1,375)	100	(1,275)
- Changes in expected credit losses	-	-	307	-	-	-	-	-	-	307	161	468
Net fair value changes in cash flow hedge	-	-	-	(101)	-	-	-	-	-	(101)	(53)	(154)
Total comprehensive (loss)/income	-	-	(3,137)	(101)	-	-	(84,216)	993,161	-	905,707	462,897	1,368,604
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	84,948	-	-	-	-	-	(84,948)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(4,783)	-	(4,783)	4,783	-
Dividends paid	-	-	-	-	-	-	-	(147,924)	-	(147,924)	-	(147,924)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(264,072)	(264,072)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	540	540
Options charge arising from executive share scheme	-	-	-	-	-	(6,725)	-	-	-	(6,725)	-	(6,725)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(47,545)	(47,545)	-	(47,545)
Exercise of executive share scheme	-	-	-	-	-	(101)	-	847	-	746	-	746
<b>As at 31 December 2019</b>	<b>2,267,008</b>	<b>954,871</b>	<b>113,366</b>	<b>(1,891)</b>	<b>213,314</b>	<b>79,303</b>	<b>426,743</b>	<b>15,952,806</b>	<b>(209,454)</b>	<b>19,796,066</b>	<b>9,708,595</b>	<b>29,504,661</b>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM577,181,000 (31 December 2019: RM943,626,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 2019: RM11,245,000).

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**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	<b>Share capital RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Share options reserve RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Retained profits RM '000</b>	<b>Total equity RM '000</b>
<b><u>THE COMPANY</u></b>						
As at 1 July 2020	2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786
Net profit for the financial period	-	-	-	-	366,846	366,846
Dividends paid	-	-	-	-	(284,470)	(284,470)
Options charge arising from executive share scheme	-	-	3,632	-	-	3,632
<b>As at 31 December 2020</b>	<b>2,267,008</b>	<b>254,991</b>	<b>20,583</b>	<b>(180,587)</b>	<b>13,970,799</b>	<b>16,332,794</b>
As at 1 July 2019	2,267,008	254,991	16,676	(152,144)	13,313,734	15,700,265
Net profit for the financial period	-	-	-	-	515,312	515,312
Dividends paid	-	-	-	-	(147,924)	(147,924)
Options charge arising from executive share scheme	-	-	4,893	-	-	4,893
Purchase of treasury shares	-	-	-	(28,443)	-	(28,443)
<b>As at 31 December 2019</b>	<b>2,267,008</b>	<b>254,991</b>	<b>21,569</b>	<b>(180,587)</b>	<b>13,681,122</b>	<b>16,044,103</b>

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**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	The Group		The Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	1,954,980	1,837,881	367,139	517,834
Adjustment for non-cash items	534,685	(139,273)	(374,860)	(525,377)
Operating profit/(loss) before working capital changes	2,489,665	1,698,608	(7,721)	(7,543)
Income tax paid	(110,216)	(269,574)	(88)	(2,532)
Interest received	468	559	468	559
Changes in working capital				
Net changes in operating assets	(8,664,273)	6,331,276	337,756	2,298
Net changes in operating liabilities	6,570,851	4,511,379	815	(12,659)
Net cash generated from/(used in) operating activities	286,495	12,272,248	331,230	(19,877)
<b>Cash flows from investing activities</b>				
Net (purchases)/sales of financial investments at fair value through other comprehensive income	(3,211,369)	442,005	-	-
Net purchases of financial investments at amortised cost	(2,125,583)	(162,206)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	663,578	562,546	-	-
Purchase of intangible assets	(9,307)	(40,846)	-	-
Purchase of property and equipment	(62,274)	(64,214)	(78)	(117)
Net proceeds from disposal of property and equipment	3,389	8,804	248	-
Dividends received from other investments	31,805	28,334	1,120	142
Dividends received from subsidiary companies	-	-	308,003	558,824
Dividends received from associated companies	11,993	-	-	-
Proceeds from disposal of shares in subsidiary	127,892	-	127,892	-
Interest received from investment in debt instrument issued by subsidiary company				
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	19,866	19,857
- Interest on subordinated obligations	-	-	35,584	35,834
Net cash (used in)/generated from investing activities	(4,569,876)	774,423	492,635	614,540
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Company	(284,470)	(147,924)	(284,470)	(147,925)
Dividends paid to non-controlling interests	(156,945)	(264,072)	-	-
Purchase of treasury shares	(136)	(47,545)	-	(28,443)
Cash received from executive share scheme exercised	3,242	1,010	-	-
Repayment of lease liabilities	(16,927)	(15,953)	(397)	(377)
Repayment of revolving credit	(105,000)	(188,000)	(105,000)	(188,000)
Repayment of commercial papers	(104,000)	(65,000)	(104,000)	(65,000)
Repayment of medium term notes	(220,000)	-	(250,000)	-
Repayment of innovative Tier 1 capital securities	-	(453,200)	-	-
Repayment of term loans	(4,000)	(145,000)	(4,000)	(145,000)
Repayment of subordinated obligations	-	(50,000)	-	-
Proceeds from subordinated obligations	290,000	-	-	-
Proceeds from recourse obligations on financing sold to Cagamas Berhad	-	799,950	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(20,270)	(20,261)	(20,270)	(20,261)
Interest paid on subordinated obligations	(41,971)	(51,228)	(36,146)	(36,400)
Interest paid on borrowings	(19,772)	(26,361)	(20,191)	(26,930)
Interest paid on innovative Tier 1 capital securities	-	(19,486)	-	-
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(26,653)	(5,173)	-	-
Interest paid on lease liabilities	(4,910)	(5,615)	(150)	(170)
Net cash used in financing activities	(711,812)	(703,858)	(824,624)	(658,506)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,995,193)</b>	<b>12,342,813</b>	<b>(759)</b>	<b>(63,843)</b>
<b>Effects of exchange rate changes</b>	<b>(91,671)</b>	<b>(57,461)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 1 July</b>	<b>12,338,216</b>	<b>6,760,957</b>	<b>15,870</b>	<b>84,556</b>
<b>Cash and cash equivalents at 31 December</b>	<b>7,251,352</b>	<b>19,046,309</b>	<b>15,111</b>	<b>20,713</b>
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	9,389,132	15,607,764	15,051	20,653
Deposits and placements with banks and other financial institutions	9,232,675	8,229,799	3,360	3,360
	18,621,807	23,837,563	18,411	24,013
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(11,370,455)	(4,791,254)	(3,300)	(3,300)
	<b>7,251,352</b>	<b>19,046,309</b>	<b>15,111</b>	<b>20,713</b>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**1. Basis of preparation**

The unaudited condensed financial statements have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standard Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2020. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2020.

The unaudited condensed financial statements incorporate the activities relating to the Islamic banking and Takaful businesses which have been undertaken by its subsidiaries, Hong Leong Islamic Bank Berhad and Hong Leong MSIG Takaful Berhad in compliance with Shariah principles.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the audited annual financial statements for the financial year ended 30 June 2020 and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2020:

- (i) • Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'
- Revised Conceptual Framework for Financial Reporting

The adoption of the above amendments to published standards are not expected to have significant impact on the financial results of the Group and the Company.

The preparation of unaudited condensed financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported financial period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

**2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the year ended 30 June 2020**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2020.

**3. Seasonality or cyclicity of operations**

The business operations of the Group and the Company have not been materially affected by any seasonal and cyclical factors.

**4. Exceptional items or unusual events affecting financial statements**

There were no exceptional items or unusual events that materially affected the financial statements.

**5. Variation from financial estimates reported in preceding financial year**

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the current period.

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**6. Issuance and repayment of debt and equity securities**

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial period ended 31 December 2020 other than as mentioned below.

Purchase of shares pursuant to Executive Share Scheme ("ESS")

In December 2017, the Group has granted up to 20,450,000 shares at an exercise price of RM17.12 to eligible executives of the Company and its subsidiary pursuant to the Company's ESS.

The options granted are subject to the achievement of certain performance criteria by the option holders over two performance periods concluding at the end of the financial years ending 30 June 2019 and 30 June 2021 respectively. The achievement of the performance targets and the numbers of shares (if any) to be vested shall be determined following the end of respective performance periods. The vested options for each performance period are exercisable in three tranches over a period of 2 - 26 months from the respective vesting dates. The Group has decided not to recommend any award of 30% (5,925,000 shares) ESOS due to non-performance of KPIs.

During the financial period ended 31 December 2020, no shares were exercised pursuant to the Company's Executive Share Option Scheme ("ESOS").

As at 31 December 2020, the total number of Treasury Shares for ESOS is 9,636,000 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM180,587,544.

The insurance subsidiary company purchased 10,000 units of shares for RM135,605 pursuant to the Company's ESS during the financial period ended 31 December 2020.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 31 December 2020 was 4,091,900 units at an average price of RM14.27 per share with total consideration paid, including transaction costs was RM58,381,907 which have been classified as Treasury Shares for ESOS at the Group level.

**7. Dividends paid**

A final single-tier dividend of 25.0 sen per share in respect of financial year ended 30 June 2020 amounting to RM284.5 million was paid on 25 November 2020.

**8. Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Inter-segment pricing is based on internally computed cost of funds.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

**Business segments**

The Group comprises the following main business segments:

Commercial banking	Commercial banking business
Investment banking and asset management	Investment banking, futures and stockbroking, fund and unit trust management
Insurance	Life and general insurance and family takaful business
Other operations	Investment holding and provision of management services

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**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 December 2020</b>	<b>Commercial banking RM '000</b>	<b>Investment banking RM '000</b>	<b>Insurance RM '000</b>	<b>Other operations RM '000</b>	<b>Eliminations/ consolidation adjustments RM '000</b>	<b>Consolidated RM '000</b>
<b>Revenue</b>						
External revenue	2,742,391	178,674	234,815	(37,703)	-	3,118,177
Inter-segment revenue	6,548	52	612	414,440	(421,652)	-
Segment revenue	<u>2,748,939</u>	<u>178,726</u>	<u>235,427</u>	<u>376,737</u>	<u>(421,652)</u>	<u>3,118,177</u>
<b>Results</b>						
Segment results	1,370,731	106,144	151,875	367,133	(416,508)	1,579,375
Share of results of associated companies						375,605
Profit before taxation						1,954,980
Taxation						(304,969)
Net profit for the financial period						1,650,011
Non-controlling interests						(535,396)
Profit attributable to owners of the parent						<u>1,114,615</u>
<b>Other information</b>						
Segment assets	228,423,409	4,929,859	26,421,332	19,496,857	(15,825,762)	<u>263,445,695</u>
Segment liabilities	200,161,543	4,078,753	22,901,083	3,165,661	735,254	<u>231,042,294</u>

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**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 December 2019</b>	<b>Commercial banking RM '000</b>	<b>Investment banking RM '000</b>	<b>Insurance RM '000</b>	<b>Other operations RM '000</b>	<b>Eliminations/ consolidation adjustments RM '000</b>	<b>Consolidated RM '000</b>
<b>Revenue</b>						
External revenue	2,444,548	113,979	154,463	(26,823)	-	2,686,167
Inter-segment revenue	8,088	2,358	708	558,606	(569,760)	-
Segment revenue	<u>2,452,636</u>	<u>116,337</u>	<u>155,171</u>	<u>531,783</u>	<u>(569,760)</u>	<u>2,686,167</u>
<b>Results</b>						
Segment results	1,391,222	47,537	90,739	517,829	(557,214)	1,490,113
Share of results of associated companies						<u>347,768</u>
Profit before taxation						<u>1,837,881</u>
Taxation						<u>(337,218)</u>
Net profit for the financial period						<u>1,500,663</u>
Non-controlling interests						<u>(507,502)</u>
Profit attributable to owners of the parent						<u>993,161</u>
<b>Other information</b>						
Segment assets	212,679,410	4,153,941	23,543,068	19,534,487	(15,303,380)	<u>244,607,526</u>
Segment liabilities	186,625,254	3,365,647	20,352,736	3,491,886	1,267,342	<u>215,102,865</u>

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**9. Financial assets at fair value through profit or loss**

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Money market instruments:		
Government treasury bills	364,295	579,866
Malaysian Government securities	2,594,518	2,122,321
Malaysian Government investment certificates	1,270,021	1,376,527
Negotiable instruments of deposit	2,071,974	1,567,157
Khazanah bonds	-	19,999
Cagamas bonds	86,689	166,697
Other Government securities	5,703,420	5,596,569
	<u>12,090,917</u>	<u>11,429,136</u>
Quoted securities:		
Shares in Malaysia	4,518,104	2,718,986
Shares outside Malaysia	587,866	510,842
Wholesale fund/unit trust investments	206,123	1,029,029
Foreign currency bonds in Malaysia	18,186	159,401
Foreign currency bonds outside Malaysia	20,301	145,069
Investment-linked funds	319	311
Loan stocks	1,359	1,336
	<u>5,352,258</u>	<u>4,564,974</u>
Unquoted securities:		
Shares in Malaysia	352,951	354,383
Foreign currency bonds outside Malaysia	326,619	343,648
Corporate bonds and sukuk	7,714,912	7,003,890
Redeemable preference shares	25,000	25,000
	<u>8,419,482</u>	<u>7,726,921</u>
Total financial assets at fair value through profit or loss	<u>25,862,657</u>	<u>23,721,031</u>

	<b>The Company</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Quoted securities:		
Unit trust investments	-	292,671

**10. Financial investments at fair value through other comprehensive income**

	Note	<b>The Group</b>	
		<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
<b>At fair value</b>			
Debt instruments	(a)	31,965,346	28,488,979
Equity instruments	(b)	60,094	60,094
		<u>32,025,440</u>	<u>28,549,073</u>

(a) Debt instruments

Money market instruments:		
Government treasury bills	736,466	487,768
Malaysian Government securities	3,356,252	2,148,086
Malaysian Government investment certificates	10,973,821	8,339,999
Negotiable instruments of deposit	706,341	950,404
Other Government securities	239,807	312,507
Khazanah bonds	489,170	529,373
Cagamas bonds	1,825,650	1,717,798
	<u>18,327,507</u>	<u>14,485,935</u>

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**10. Financial investments at fair value through other comprehensive income (continued)**

	The Group	
	As at 31/12/2020 RM '000	As at 30/06/2020 RM '000
(a) Debt instruments (continued)		
Quoted securities:		
Foreign currency bonds in Malaysia	1,975,546	2,131,473
Foreign currency bonds outside Malaysia	1,118,272	1,353,402
	<u>3,093,818</u>	<u>3,484,875</u>
Unquoted securities:		
Malaysian Government sukuk	536,872	554,124
Corporate bonds and sukuk	9,418,758	9,160,750
Foreign currency bonds in Malaysia	216,689	306,295
Foreign currency bonds outside Malaysia	371,702	497,000
	<u>10,544,021</u>	<u>10,518,169</u>
	<u>31,965,346</u>	<u>28,488,979</u>

Movements in expected credit losses ("ECL") of debt instruments at fair value through other comprehensive income are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>The Group</b>				
<b>31 December 2020</b>				
As at 1 July	2,539	-	16,997	19,536
New financial assets originated or purchased	121	-	-	121
Financial assets derecognised	(442)	-	-	(442)
Changes due to change in credit risk	304	-	-	304
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(87)	-	(792)	(879)
As at 31 December	<u>2,415</u>	<u>-</u>	<u>16,205</u>	<u>18,620</u>
<b>30 June 2020</b>				
As at 1 July	1,872	-	16,550	18,422
New financial assets originated or purchased	2,082	-	-	2,082
Financial assets derecognised	(1,177)	-	-	(1,177)
Changes due to change in credit risk	(215)	-	-	(215)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(3)	-	447	444
As at 30 June	<u>2,539</u>	<u>-</u>	<u>16,997</u>	<u>19,536</u>

	The Group	
	As at 31/12/2020 RM '000	As at 30/06/2020 RM '000
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	60,094	60,094

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**11. Financial investments at amortised cost**

	The Group	
	As at 31/12/2020 RM '000	As at 30/06/2020 RM '000
Money market instruments:		
Malaysian Government securities	3,374,328	3,056,052
Malaysian Government investment certificates	13,420,082	11,405,182
Khazanah bonds	322,127	316,038
Other Government securities	289,599	456,623
	<u>17,406,136</u>	<u>15,233,895</u>
Quoted securities:		
Foreign currency bonds in Malaysia	796,684	857,780
Foreign currency bonds outside Malaysia	122,329	145,577
	<u>919,013</u>	<u>1,003,357</u>
Unquoted securities:		
Malaysian Government sukuk	2,660,826	2,659,375
Corporate bonds and sukuk	2,093,352	2,056,192
Foreign currency bonds outside Malaysia	16,026	16,964
	<u>4,770,204</u>	<u>4,732,531</u>
Less: Expected credit losses	(204)	(217)
Total financial investments at amortised cost	<u>23,095,149</u>	<u>20,969,566</u>

Movements in expected credit losses of financial investments at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>The Group</b>				
<b>31 December 2020</b>				
As at 1 July	217	-	-	217
Changes due to change in credit risk	1	-	-	1
Exchange differences	(14)	-	-	(14)
As at 31 December	<u>204</u>	<u>-</u>	<u>-</u>	<u>204</u>
<b>30 June 2020</b>				
As at 1 July	216	-	827	1,043
Financial assets derecognised	(22)	-	-	(22)
Changes due to change in credit risk	20	-	-	20
Amount written off	-	-	(827)	(827)
Exchange differences	3	-	-	3
As at 30 June	<u>217</u>	<u>-</u>	<u>-</u>	<u>217</u>



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**12. Loans, advances and financing**

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Overdrafts	3,423,252	3,590,801
Term loans/financing:		
- Housing and shop loans/financing	84,535,358	82,482,204
- Syndicated/term loans or financing	15,268,247	13,850,875
- Hire purchase receivables	17,409,693	17,006,512
- Ijarah receivables	160,673	161,188
- Other term loans/financing	10,974,860	8,962,217
Credit/charge card receivables	2,992,844	3,094,683
Bills receivable	909,193	2,680,254
Trust receipts	215,639	1,476,882
Policy and premium loans	434,630	509,817
Claims on customers under acceptance credits	6,411,284	5,235,605
Revolving credits	7,896,603	7,202,385
Staff loans/financing	141,069	143,111
Other loans/financing	266	365,302
Gross loans, advances and financing	<u>150,773,611</u>	<u>146,761,836</u>
Fair value changes arising from fair value hedges	23,568	21,714
Allowance for impairment losses:		
- Expected credit losses	(1,556,238)	(1,262,761)
Total net loans, advances and financing	<u>149,240,941</u>	<u>145,520,789</u>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,018,219,000 (30 June 2020: RM1,023,078,000).

(a) By type of customers

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Domestic non-bank financial institutions	1,532,160	1,434,866
Domestic business enterprises:		
- Small and medium enterprises	24,203,393	22,700,453
- Others	20,479,964	20,773,294
Government and statutory bodies	1,799	1,892
Individuals	101,074,179	98,751,873
Other domestic entities	718,231	975,756
Foreign entities	2,763,885	2,123,702
Gross loans, advances and financing	<u>150,773,611</u>	<u>146,761,836</u>

(b) By interest/profit rate sensitivity

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Fixed rate		
- Housing and shop loans/financing	1,554,192	1,577,809
- Hire purchase receivables	17,282,509	16,847,128
- Other fixed rate loans/financing	8,769,047	7,051,115
Variable rate		
- Base rate/base lending rate plus	104,700,903	102,135,209
- Cost plus	17,609,265	18,241,362
- Other variable rates	857,695	909,213
Gross loans, advances and financing	<u>150,773,611</u>	<u>146,761,836</u>

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**12. Loans, advances and financing (continued)**

(c) By economic purposes

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Purchase of securities	1,171,365	1,046,022
Purchase of transport vehicles	17,150,933	16,769,222
Purchase of landed properties		
- Residential	75,421,946	73,336,190
- Non-residential	17,942,920	17,244,621
Purchase of fixed assets (excluding landed properties)	1,239,618	1,102,078
Personal use	3,417,361	3,437,021
Credit card	2,992,844	3,094,683
Construction	2,653,767	2,612,109
Mergers and acquisition	-	151,784
Working capital	26,917,900	25,983,290
Other purposes	1,864,957	1,984,816
Gross loans, advances and financing	<u>150,773,611</u>	<u>146,761,836</u>

(d) By geographical distribution

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Malaysia	142,868,594	138,992,892
Singapore	5,441,761	5,250,416
Vietnam	857,695	909,213
Cambodia	1,605,561	1,609,315
Gross loans, advances and financing	<u>150,773,611</u>	<u>146,761,836</u>

(e) By residual contractual maturity

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Within one year	25,331,525	27,045,478
One year to less than three years	5,274,919	5,735,396
Three years to less than five years	11,349,162	10,647,842
Five years and more	108,818,005	103,333,120
Gross loans, advances and financing	<u>150,773,611</u>	<u>146,761,836</u>

(f) Movements in impaired loans, advances and financing are as follows:

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
As at 1 July	896,276	1,078,009
Classified as impaired during the financial period/year	435,416	1,969,496
Reclassified as non-impaired during the financial period/year	(272,757)	(1,158,523)
Amount written back in respect of recoveries	(124,393)	(492,076)
Amount written off	(126,786)	(502,046)
Exchange differences	(447)	1,416
As at end of the financial period/year	<u>807,309</u>	<u>896,276</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.5%</u>	<u>0.6%</u>

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**12. Loans, advances and financing (continued)**

(g) Impaired loans, advances and financing by economic purposes

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Purchase of securities	1,540	650
Purchase of transport vehicles	88,660	71,145
Purchase of landed properties		
- Residential	279,717	341,330
- Non-residential	138,424	150,277
Purchase of fixed assets (excluding landed properties)	1,457	4,648
Personal use	36,061	24,479
Credit card	25,237	24,568
Construction	7,224	9,663
Working capital	165,230	200,678
Other purposes	63,759	68,838
Gross impaired loans, advances and financing	<u>807,309</u>	<u>896,276</u>

(h) Impaired loans, advances and financing by geographical distribution

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Malaysia	801,273	887,929
Singapore	1,348	1,256
Vietnam	1,456	1,808
Cambodia	3,232	5,283
Gross impaired loans, advances and financing	<u>807,309</u>	<u>896,276</u>

(i) Movements in expected credit losses for loans, advances and financing are as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL RM '000</b>
	<b>12 months ECL RM '000</b>	<b>Lifetime ECL not credit impaired RM '000</b>	<b>Lifetime ECL credit impaired RM '000</b>	
<b>The Group</b>				
<b>31 December 2020</b>				
As at 1 July	550,165	435,828	276,768	1,262,761
Changes in ECL due to transfer within stages	(24,468)	(48,968)	73,436	-
Transfer to Stage 1	10,255	(10,030)	(225)	-
Transfer to Stage 2	(34,679)	53,947	(19,268)	-
Transfer to Stage 3	(44)	(92,885)	92,929	-
New financial assets originated	32,944	433	74	33,451
Financial assets derecognised	(13,826)	(22,800)	(4,384)	(41,010)
Changes due to change in credit risk	321,880	99,486	40,618	461,984
Changes in models/risk parameters	(16)	(30,643)	(2)	(30,661)
Amount written off	-	-	(129,227)	(129,227)
Exchange differences	(766)	(436)	(82)	(1,284)
Other movements	-	-	224	224
As at 31 December	<u>865,913</u>	<u>432,900</u>	<u>257,425</u>	<u>1,556,238</u>

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**12. Loans, advances and financing (continued)**

(i) Movements in expected credit losses for loans, advances and financing are as follows: (continued)

<b>The Group</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL</b>
	<b>12 months ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	
<b>30 June 2020</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As at 1 July	369,855	498,326	396,813	1,264,994
Changes in ECL due to transfer within stages	(89,949)	(133,376)	223,325	-
Transfer to Stage 1	16,041	(15,936)	(105)	-
Transfer to Stage 2	(105,849)	206,827	(100,978)	-
Transfer to Stage 3	(141)	(324,267)	324,408	-
New financial assets originated	55,633	2,236	4,170	62,039
Financial assets derecognised	(19,753)	(40,717)	(25,130)	(85,600)
Changes due to change in credit risk	262,813	117,887	192,992	573,692
Changes in models/risk parameters	(28,743)	(8,852)	(10,855)	(48,450)
Amount written off	-	-	(501,536)	(501,536)
Exchange differences	309	324	1,313	1,946
Other movements	-	-	(4,324)	(4,324)
As at 30 June	<u>550,165</u>	<u>435,828</u>	<u>276,768</u>	<u>1,262,761</u>

**13. Other receivables**

	<b>The Group</b>	
	<b>As at 31/12/2020</b>	<b>As at 30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Foreclosed properties	13,789	18,447
Sundry debtors and other prepayments	733,037	777,965
Treasury related receivables	27,377	370,435
Cash collateral pledged for derivative transactions	485,617	528,766
Fee income receivables	4,145	4,748
Other receivables	64,515	111,279
	<u>1,328,480</u>	<u>1,811,640</u>
	<b>The Company</b>	
	<b>As at 31/12/2020</b>	<b>As at 30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Amount due from subsidiary companies	36	34
Sundry debtors and other prepayments	716	45,802
	<u>752</u>	<u>45,836</u>

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**14. Deposits from customers**

(a) By type of deposits

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
<b>At amortised cost</b>		
Fixed deposits	91,620,776	93,166,106
Negotiable instruments of deposits	8,373,674	8,949,638
Short-term placements	19,964,812	19,559,750
	<u>119,959,262</u>	<u>121,675,494</u>
Demand deposits	30,206,184	27,331,640
Savings deposits	22,272,405	21,018,664
Others	665,682	748,749
	<u>173,103,533</u>	<u>170,774,547</u>
<b>At fair value through profit or loss</b>		
Structured deposits linked to interest rate derivatives	1,183,072	463,933
Fair value changes arising from designation at fair value through profit or loss*	(53,583)	(1,416)
	<u>1,129,489</u>	<u>462,517</u>
	<u>174,233,022</u>	<u>171,237,064</u>

\*Note:

The Group has issued structured deposits which are linked to interest rate derivatives and designated them at fair value through profit or loss. This designation is permitted under MFRS 9 as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

(b) By type of customers

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Government and statutory bodies	8,017,984	9,180,558
Business enterprises	71,003,215	66,853,926
Individuals	92,543,387	92,528,696
Others	2,668,436	2,673,884
	<u>174,233,022</u>	<u>171,237,064</u>

(c) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Due within six months	101,735,281	100,691,104
More than six months to one year	16,658,176	19,802,680
More than one year to five years	1,052,408	999,959
More than five years	513,397	181,751
	<u>119,959,262</u>	<u>121,675,494</u>

**15. Investment accounts of customers**

	<b>The Group</b>	
	<b>As at 31/12/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Unrestricted investment accounts	685,007	356,475

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**16. Deposits and placements of banks and other financial institutions**

	The Group	
	As at 31/12/2020 RM '000	As at 30/06/2020 RM '000
Licensed banks	7,436,046	5,492,524
Licensed investment banks	-	75,304
Central banks*	1,168,792	1,176,258
Other financial institutions	1,840,686	1,830,205
	10,445,524	8,574,291

\*Note:

Deposits and placements from central banks includes monies received by the Group under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,104,548,000 at concession rates.

**17. Payables and other liabilities**

	Note	The Group	
		As at 31/12/2020 RM '000	As at 30/06/2020 RM '000
Trade payables		3,588,716	3,425,048
Post employment benefits obligation - defined contribution plan		1,921	1,919
Loan advance payment		3,712,363	3,916,289
Treasury and cheque clearing		208,380	210,699
Treasury related payables		267,515	197,219
Sundry creditors and accruals		319,737	352,687
Provision for reinstatement cost		23,320	23,441
Provision for bonus and staff related expenses		284,178	211,345
Expected credit losses on financial guarantee contracts	(a)	10,023	8,480
Financial liabilities due to third party investors	(b)	6,450,320	5,609,138
Others		959,831	1,240,922
		15,826,304	15,197,187

(a) Movements in expected credit losses of financial guarantee contracts are as follows:

The Group 31 December 2020	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	3,260	5,220	-	8,480
Changes in ECL due to transfer within stages	85	(85)	-	-
Transfer to Stage 1	127	(127)	-	-
Transfer to Stage 2	(42)	42	-	-
New financial assets originated	34	-	-	34
Financial assets derecognised	(3)	(1)	-	(4)
Changes due to change in credit risk	1,033	866	-	1,899
Changes in models/risk parameters	1	(89)	-	(88)
Exchange differences	(21)	(277)	-	(298)
As at 31 December	4,389	5,634	-	10,023

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**17. Payables and other liabilities (continued)**

(a) Movements in expected credit losses of financial guarantee contracts are as follows: (continued)

The Group 30 June 2020	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	2,380	5,527	21	7,928
Changes in ECL due to transfer within stages	(53)	47	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(57)	57	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	177	1	-	178
Financial assets derecognised	(24)	(23)	-	(47)
Changes due to change in credit risk	772	(481)	(19)	272
Exchange differences	8	149	-	157
Other movements	-	-	(8)	(8)
As at 30 June	3,260	5,220	-	8,480

(b) Financial liabilities due to third party investors relate to the net asset value of units held by the third party investors of unit trust funds deemed as subsidiary company pursuant to MFRS 10 'Consolidated Financial Statements'.

	The Company	
	As at 31/12/2020 RM '000	As at 30/06/2020 RM '000
Post employment benefits obligation - defined contribution plan	46	46
Sundry creditors and accruals	1,203	1,627
Amount due to subsidiary companies	450	714
Provision for reinstatement cost	244	237
Provision for bonus and staff related expenses	7,456	5,945
	9,399	8,569

**18. Interest income**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Loans, advances and financing	1,041,980	1,241,260	2,078,977	2,469,902
Money at call and deposit placements with financial institutions	36,624	115,162	82,066	228,209
Financial investments at fair value through other comprehensive income	189,988	173,262	381,155	353,997
Financial investments at amortised cost	143,427	104,891	282,423	208,549
Others	4,221	4,764	8,705	12,511
	1,416,240	1,639,339	2,833,326	3,273,168
Of which:				
Interest income earned on impaired loans, advances and financing	1,957	1,533	33	2,904

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**18. Interest income (continued)**

	The Company		The Company	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Money at call and deposit placements with financial institutions	324	377	468	559
Subordinated obligations	17,853	17,853	35,706	35,706
Multi-currency Additional Tier 1 capital securities	9,931	9,931	19,862	19,862
	<u>28,108</u>	<u>28,161</u>	<u>56,036</u>	<u>56,127</u>

**19. Interest income for financial assets at fair value through profit or loss**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Financial assets at fair value through profit or loss	51,044	86,677	102,411	168,638

**20. Interest expense**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Deposits and placements of banks and other financial institutions	18,297	47,111	43,346	94,812
Deposits from customers	458,564	742,073	965,364	1,482,086
Short-term placements	47,670	97,955	103,495	201,886
Borrowings	6,793	11,898	16,946	26,831
Subordinated obligations	21,239	24,127	42,296	50,878
Recourse obligations on loans sold to Cagamas Berhad	2,631	572	5,263	1,382
Innovative Tier 1 capital securities	-	-	-	8,413
Multi-currency Additional Tier 1 capital securities	10,121	10,120	20,242	20,241
Others	13,295	5,636	26,188	12,576
	<u>578,610</u>	<u>939,492</u>	<u>1,223,140</u>	<u>1,899,105</u>

	The Company		The Company	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Borrowings	6,817	12,757	16,983	26,868
Subordinated obligations	18,265	18,265	36,531	36,531
Multi-currency Additional Tier 1 capital securities	10,233	10,233	20,465	20,465
Others	81	144	165	381
	<u>35,396</u>	<u>41,399</u>	<u>74,144</u>	<u>84,245</u>



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**21. Income from Islamic banking business**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Income derived from investment of depositors' funds and others	355,400	394,106	703,500	787,237
Income derived from investment of shareholders' funds	48,598	51,148	100,046	96,959
Income derived from investment of investment accounts	6,781	6,396	12,328	6,488
Income attributable to depositors	(172,525)	(239,254)	(356,916)	(478,431)
Income attributable to depositors on investment accounts	(4,026)	(6,002)	(6,150)	(6,068)
	<u>234,228</u>	<u>206,394</u>	<u>452,808</u>	<u>406,185</u>
Of which:				
Financing income earned on impaired financing and advances	(165)	397	(165)	397

**22. Non-interest income**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Net income from insurance business	92,493	51,573	138,449	98,663
Net brokerage and commissions from stockbroking business	35,858	13,593	77,441	26,053
Net unit trust and asset management income	14,583	16,634	26,957	34,684
Fee income:				
Commissions	44,521	37,613	83,025	80,359
Service charges and fees	13,463	13,283	21,785	22,939
Guarantee fees	4,078	3,491	8,498	7,146
Credit card related fees	44,319	58,090	90,422	110,859
Corporate advisory fees	1,914	509	2,831	1,984
Commitment fees	9,256	8,311	18,741	16,698
Fee on loans, advances and financing	10,974	10,641	23,589	23,256
Placement fees	4,528	1,494	5,258	2,203
Arranger fees	1,818	1,201	1,871	2,054
Other fee income	37,851	34,578	84,299	90,085
	<u>172,722</u>	<u>169,211</u>	<u>340,319</u>	<u>357,583</u>
Net realised gain/(loss) from sale of:				
Financial assets at fair value through profit or loss	28,590	7,204	75,507	62,356
Financial investments at fair value through other comprehensive income	69,639	31,821	191,483	131,354
Derivative financial instruments	(86,948)	(36,377)	(106,000)	(27,664)
	<u>11,281</u>	<u>2,648</u>	<u>160,990</u>	<u>166,046</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	15,923	9,536	31,430	24,651
Financial investments at fair value through other comprehensive income	-	3,480	375	3,683
	<u>15,923</u>	<u>13,016</u>	<u>31,805</u>	<u>28,334</u>
Net unrealised gain/(loss) on revaluation of:				
Financial assets at fair value through profit or loss	17,616	8,120	13,889	(17,283)
Derivative financial instruments	92,773	53,825	99,894	(5,879)
	<u>110,389</u>	<u>61,945</u>	<u>113,783</u>	<u>(23,162)</u>

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**22. Non-interest income (continued)**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Net realised loss on fair value changes arising from fair value hedges	(1,314)	(470)	(2,408)	(879)
Net unrealised loss on fair value changes arising from fair value hedges	(815)	(12)	(2,210)	(190)
Other income:				
Foreign exchange gain	40,681	32,299	59,503	36,744
Rental income	2,182	2,227	3,783	4,627
Net gain on disposal of property and equipment	127	180	295	356
Other non-operating income	2,362	4,239	4,065	8,422
	45,352	38,945	67,646	50,149
Total non-interest income	496,472	367,083	952,772	737,281

	The Company		The Company	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Fee income:				
Management fees	1,801	2,909	1,913	6,505
Net realised gain from sale of:				
Derivative financial instruments	-	-	-	135
Gross dividend income from:				
Financial assets at fair value through profit or loss	18	142	1,120	142
Subsidiary companies	308,003	558,824	308,003	558,824
Other income:				
Gain from disposal of shares in subsidiary	88,122	-	88,122	-
Other non-operating income	153	51	428	115
Total non-interest income	398,097	561,926	399,586	565,721

**23. Overhead expenses**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	314,266	299,932	620,968	604,915
- Medical expenses	6,649	9,138	15,277	16,683
- Training and convention expenses	1,495	5,466	3,494	12,587
- Staff welfare	2,831	2,426	5,848	4,725
- Others	33,741	20,452	69,052	28,670
	358,982	337,414	714,639	667,580
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,823	35,113	67,768	70,711
- Depreciation of right-of-use assets	13,399	13,034	26,787	27,514
- Amortisation of intangible assets	15,759	16,378	30,597	31,220
- Rental of premises	1,055	663	1,559	2,097
- Information technology expenses	45,944	45,243	94,592	88,876
- Security services	5,324	7,202	11,549	14,289
- Electricity, water and sewerage	5,580	5,882	11,134	12,355
- Hire of plant and machinery	3,494	3,401	6,982	6,872
- Others	6,337	5,287	14,145	13,495
	130,715	132,203	265,113	267,429

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**23. Overhead expenses (continued)**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
<u>Marketing expenses</u>				
- Advertisement and publicity	5,905	8,340	11,103	16,220
- Sales commission and credit card related fees	27,798	33,372	51,940	64,808
- Others	11,966	14,213	25,490	20,859
	<u>45,669</u>	<u>55,925</u>	<u>88,533</u>	<u>101,887</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,894	5,721	11,997	11,303
- Stationery and printing expenses	3,710	3,571	6,918	6,507
- Professional fees	21,988	24,509	44,936	48,860
- Insurance fees	6,510	11,022	12,411	21,296
- Stamp, postage and courier	3,664	3,560	7,077	6,974
- Credit card fees	1,263	11,706	12,971	23,339
- Travelling and transport expenses	854	1,159	1,689	2,442
- Registration and license fees	2,447	2,424	4,964	4,291
- Brokerage and commission	2,234	1,963	4,362	4,330
- Others	12,246	10,305	21,190	17,402
	<u>60,810</u>	<u>75,940</u>	<u>128,515</u>	<u>146,744</u>
	<u>596,176</u>	<u>601,482</u>	<u>1,196,800</u>	<u>1,183,640</u>
	The Company		The Company	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	3,202	5,785	6,714	11,550
- Medical expenses	37	17	76	40
- Training and convention expenses	-	8	(1)	16
- Staff welfare	143	143	292	287
- Others	2,191	2,638	4,208	5,284
	<u>5,573</u>	<u>8,591</u>	<u>11,289</u>	<u>17,177</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	154	198	329	376
- Depreciation of right-of-use assets	235	235	470	470
- Amortisation of intangible assets	1	1	1	1
- Information technology expenses	25	23	67	49
- Electricity, water and sewerage	7	10	17	21
- Others	82	64	151	126
	<u>504</u>	<u>531</u>	<u>1,035</u>	<u>1,043</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	9	1	18	10
- Stationery and printing expenses	5	7	13	14
- Professional fees	289	264	679	503
- Management fees	532	532	1,065	1,065
- Travelling and transport expenses	-	10	-	20
- Others	119	94	239	71
	<u>954</u>	<u>908</u>	<u>2,014</u>	<u>1,683</u>
	<u>7,031</u>	<u>10,030</u>	<u>14,338</u>	<u>19,903</u>

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**24. Allowance for impairment losses on loans, advances and financing and other losses**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	279,046	77,074	425,605	116,982
- Clients' and brokers' balances	(231)	101	(888)	89
Impaired loans, advances and financing:				
- Written off	4,679	5,305	8,526	9,804
- Recovered from bad debt written off	(42,863)	(62,961)	(91,554)	(116,121)
	<u>240,631</u>	<u>19,519</u>	<u>341,689</u>	<u>10,754</u>

**25. (Writeback of)/allowance for impairment losses on other assets**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(145)	382	(37)	468
- Financial investments at amortised cost	(79)	(75)	1	(40)
- Other receivables	(238)	48	45	41
- Cash and short-term funds	317	(22)	(54)	(43)
- Deposits and placements with banks and other financial institutions	(215)	1,198	358	1,234
	<u>(360)</u>	<u>1,531</u>	<u>313</u>	<u>1,660</u>

  

	The Company		The Company	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	196	189	1	(134)

**26. Capital adequacy**

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components). The consolidated capital adequacy of the Group includes consolidation of all financial and non-financial subsidiary companies, except the insurance/takaful subsidiary companies which shall be deducted in the calculation of Common Equity Tier 1 ("CET 1") capital. The total risk-weighted assets ("RWA") of the Group are computed based on Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

The Capital Adequacy Framework (Capital Components) sets out the minimum capital adequacy ratios as well as requirements on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio are 4.500%, 6.000% and 8.000% respectively. The Group is also required to maintain CCB of up to 2.500% of total RWA, which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019 onwards. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. The minimum capital adequacy including CCB for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio for year 2019 onwards are 7.000%, 8.500% and 10.500% respectively.

BNM had issued a letter dated 24 March 2020 on additional measures to assist borrowers/customers affected by the COVID-19 outbreak. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by providing flexibilities for banking institutions to respond swiftly to the needs of their customers. To this effect, banking institutions are allowed to drawdown on the capital conservation buffer of 2.500%. However, BNM fully expects banking institutions to restore their buffers within a reasonable period after 31 December 2020 and to be in position to restore their buffers to the minimum regulatory requirements by 30 September 2021.

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**26. Capital adequacy (continued)**

(a) The capital adequacy ratios of the Group and banking subsidiaries are as follows:

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2020	30/06/2020	31/12/2020	30/06/2020	31/12/2020	30/06/2020	31/12/2020	30/06/2020
<b>Before deducting proposed dividends</b>								
CET 1 capital ratio	11.538%	11.432%	14.010%	13.950%	14.159%	13.761%	31.960%	42.128%
Tier 1 capital ratio	12.506%	12.399%	14.572%	14.523%	14.513%	14.118%	31.960%	42.128%
Total capital ratio	15.483%	15.382%	16.779%	16.750%	16.630%	16.245%	41.284%	52.768%
<b>After deducting proposed dividends</b>								
CET 1 capital ratio	11.449%	11.225%	13.797%	13.657%	13.892%	13.395%	31.960%	35.500%
Tier 1 capital ratio	12.417%	12.193%	14.359%	14.230%	14.245%	13.752%	31.960%	35.500%
Total capital ratio	15.394%	15.175%	16.567%	16.456%	16.362%	15.879%	41.284%	46.139%

(b) The components of CET 1, Tier 1 and Tier 2 capital under the Capital Components Framework are as follows:

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2020 RM '000	30/06/2020 RM '000	31/12/2020 RM '000	30/06/2020 RM '000	31/12/2020 RM '000	30/06/2020 RM '000	31/12/2020 RM '000	30/06/2020 RM '000
<b>CET 1 capital</b>								
Share capital	2,267,008	2,267,008	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	17,565,793	16,910,345	19,069,916	18,172,806	13,345,210	12,661,472	213,828	279,828
Other reserves	986,077	979,268	1,033,691	1,029,080	434,616	433,536	4,055	4,207
Qualifying non-controlling interests	5,974,282	5,727,807	-	-	-	-	-	-
Less: Treasury shares	(238,970)	(238,834)	(721,610)	(723,344)	(721,610)	(723,344)	-	-
Less: Other intangible assets	(209,706)	(190,515)	(207,365)	(187,505)	(187,131)	(168,060)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(30,822)	(31,380)
Less: Deferred tax assets	-	-	(131,330)	(86,578)	(96,761)	(55,984)	(75,796)	(85,925)
Less: Investment in subsidiary companies/ associated companies	(7,872,854)	(7,332,038)	(5,024,205)	(4,644,527)	(2,726,859)	(2,727,486)	(200)	(200)
Total CET 1 capital	16,125,343	15,776,754	19,926,848	19,467,683	16,014,981	15,387,650	364,015	419,480

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**26. Capital adequacy (continued)**

(b) The components of CET 1, Tier 1 and Tier 2 capital under the Capital Components Framework are as follows: (continued)

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2020 RM '000	30/06/2020 RM '000	31/12/2020 RM '000	30/06/2020 RM '000	31/12/2020 RM '000	30/06/2020 RM '000	31/12/2020 RM '000	30/06/2020 RM '000
<b>Tier 1 capital</b>								
Multi-currency Additional Tier 1 capital securities	799,755	799,695	799,719	799,654	799,719	799,654	-	-
Qualifying non-controlling interests	552,668	535,266	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,352,423	1,334,961	799,719	799,654	799,719	799,654	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,352,423	1,334,961	799,719	799,654	399,719	399,654	-	-
Total Tier 1 capital	17,477,766	17,111,715	20,726,567	20,267,337	16,414,700	15,787,304	364,015	419,480
<b>Tier 2 capital</b>								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,598,390	1,578,441	1,639,890	1,607,378	1,294,426	1,278,446	6,193	5,940
Subordinated obligations	1,599,840	1,599,820	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	962,470	938,135	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,160,700	4,116,396	3,139,860	3,107,348	2,394,396	2,378,416	106,193	105,940
Total capital	21,638,466	21,228,111	23,866,427	23,374,685	18,809,096	18,165,720	470,208	525,420

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**26. Capital adequacy (continued)**

(c) The breakdown of RWA by each major risk category is as follows:

	<b>Hong Leong Financial Group</b>		<b>Hong Leong Bank Group</b>		<b>Hong Leong Bank Berhad</b>		<b>Hong Leong Investment Bank Berhad</b>	
	<b>31/12/2020</b>	<b>30/06/2020</b>	<b>31/12/2020</b>	<b>30/06/2020</b>	<b>31/12/2020</b>	<b>30/06/2020</b>	<b>31/12/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Credit risk *	127,871,186	126,275,278	131,191,228	128,590,231	103,554,053	102,275,706	495,402	476,122
Market risk	2,884,194	2,901,209	2,449,986	2,496,060	2,536,315	2,562,366	348,097	257,167
Operational risk	9,003,904	8,833,392	8,596,630	8,468,140	7,014,367	6,983,001	295,466	262,434
<b>Total RWA</b>	<b>139,759,284</b>	<b>138,009,879</b>	<b>142,237,844</b>	<b>139,554,431</b>	<b>113,104,735</b>	<b>111,821,073</b>	<b>1,138,965</b>	<b>995,723</b>

\* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM486,406,000 (30 June 2020: RM238,775,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of Hong Leong Bank Group's subsidiary company are as follows:

	<b>Hong Leong Islamic Bank Berhad</b>	
	<b>31/12/2020</b>	<b>30/06/2020</b>
<b>Before deducting proposed dividends</b>		
CET 1 capital ratio	11.146%	10.871%
Tier 1 capital ratio	12.626%	12.432%
Total capital ratio	<u>15.287%</u>	<u>15.173%</u>
<b>After deducting proposed dividends</b>		
CET 1 capital ratio	11.146%	10.871%
Tier 1 capital ratio	12.626%	12.432%
Total capital ratio	<u>15.287%</u>	<u>15.173%</u>

**27. Events after Balance Sheet date**

There are no material events subsequent to the end of the financial period ended 31 December 2020.

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**28. Changes in composition of the Group**

There were no changes in composition of the Group for the current financial period and up to the date of this report except for the following:

- (a) On 30 November 2020, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLF, announced that HLF Credit (Perak) Bhd, a wholly-owned subsidiary of HLB, had placed Promizul Sdn Bhd ("Promizul"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. Promizul is currently dormant and there are no future plans to activate the company.
- (b) On 16 December 2020, HLB announced that it had placed HL Bank Nominees (Singapore) Pte. Ltd. ("HL Bank Nominees"), its wholly-owned subsidiary in Singapore, under member's voluntary winding-up. HL Bank Nominees is currently dormant and there are no future plans to activate the company.

**29. Related party transactions**

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

**30. Commitments and contingencies**

- (a) In the normal course of business, the Group make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional/principal amount of the commitments and contingencies constitute the following:

	<b>The Group</b>	
	<b>31/12/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Direct credit substitutes	154,078	134,166
Certain transaction related contingent items	1,587,642	1,489,056
Short-term self liquidating trade related contingencies	709,855	538,144
Irrevocable commitments to extend credit:		
- Less than one year	24,140,681	20,856,358
- More than one year	18,678,652	17,807,310
Lending of bank's securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	52,352
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	906,412	894,438
Foreign exchange related contracts:		
- Less than one year	49,831,795	42,221,526
- One year to less than five years	4,372,557	4,089,668
- Five years and above	269,671	288,397
Interest rate related contracts:		
- Less than one year	29,504,074	20,322,617
- One year to less than five years	28,932,500	35,309,632
- Five years and above	3,523,978	2,719,803
Equity related contracts:		
- Less than one year	356,339	264,263
- One year to less than five years	150,488	136,115
- Five years and above	246,438	-
Credit related contracts:		
- Five years and above	493,037	291,272
Commodity related contracts:		
- Less than one year	30,415	-
Unutilised credit card lines	7,487,465	7,463,767
<b>Total</b>	<b>171,376,077</b>	<b>154,878,884</b>

- (b) Hong Leong Asset Management Bhd, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Fund"). HLCB provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Fund, that if the fund falls below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the fund was above the minimum of RM1 million (30 June 2020: RM1 million).



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**31. Fair value of financial instruments**

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statements of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

**Determination of fair value and fair value hierarchy**

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain corporate bonds, government bonds and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques. This category includes unquoted shares held for socio-economic reasons. Fair value for shares held for socio-economic reasons are based on the net tangible assets of the affected companies.

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

The Group 31 December 2020	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	12,090,917	-	12,090,917
- Quoted securities	5,352,258	-	-	5,352,258
- Unquoted securities	-	8,066,531	352,951	8,419,482
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	18,327,507	-	18,327,507
- Quoted securities	3,093,818	-	-	3,093,818
- Unquoted securities	-	10,544,021	60,094	10,604,115
Derivative financial instruments	1,195	1,265,047	58,709	1,324,951
	<u>8,447,271</u>	<u>50,294,023</u>	<u>471,754</u>	<u>59,213,048</u>

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**31. Fair value of financial instruments (continued)**

**Determination of fair value and fair value hierarchy (continued)**

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

The Group	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>31 December 2020</b>				
<b>Recurring fair value measurements</b>				
<b>Financial liabilities</b>				
Derivative financial instruments	1,349	1,876,849	58,709	1,936,907
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,129,489	-	1,129,489
	<u>1,349</u>	<u>3,006,338</u>	<u>58,709</u>	<u>3,066,396</u>

**30 June 2020**

**Recurring fair value measurements**

**Financial assets**

Financial assets at fair value through profit or loss

- Money market instruments	-	11,429,136	-	11,429,136
- Quoted securities	4,564,974	-	-	4,564,974
- Unquoted securities	-	7,372,538	354,383	7,726,921

Financial investments at fair value through other comprehensive income

- Money market instruments	-	14,485,935	-	14,485,935
- Quoted securities	3,484,875	-	-	3,484,875
- Unquoted securities	-	10,518,169	60,094	10,578,263

Derivative financial instruments

	8	1,163,145	13,492	1,176,645
	<u>8,049,857</u>	<u>44,968,923</u>	<u>427,969</u>	<u>53,446,749</u>

**Financial liabilities**

Derivative financial instruments

	65	1,388,359	13,492	1,401,916
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Financial liabilities designated at fair value

- Structured deposits linked to interest rate derivatives	-	462,517	-	462,517
	<u>65</u>	<u>1,850,876</u>	<u>13,492</u>	<u>1,864,433</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2020: RM Nil).

The Company	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>30 June 2020</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Quoted securities	292,671	-	-	292,671
	<u>292,671</u>	<u>-</u>	<u>-</u>	<u>292,671</u>

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**31. Fair value of financial instruments (continued)**

**Determination of fair value and fair value hierarchy (continued)**

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	<b>Financial assets</b>			<b>Financial liability</b>
	<b>Financial assets at fair value through profit or loss</b>	<b>Financial investments at fair value through other comprehensive income</b>	<b>Derivative financial instruments</b>	<b>Derivative financial instruments</b>
<b>The Group</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>31 December 2020</b>				
As at 1 July	354,383	60,094	13,492	13,492
Fair value changes recognised in statements of income	-	-	38,935	38,935
Purchases	-	-	34,474	34,474
Disposal	(1,432)	-	-	-
Settlements	-	-	(28,192)	(28,192)
As at 31 December	<u>352,951</u>	<u>60,094</u>	<u>58,709</u>	<u>58,709</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2020	<u>-</u>	<u>-</u>	<u>38,935</u>	<u>38,935</u>
<b>30 June 2020</b>				
As at 1 July	326,621	44,331	7,812	7,812
Fair value changes recognised in statements of income	27,762	-	(8,397)	(8,397)
Net fair value changes recognised in other comprehensive income	-	15,763	-	-
Purchases	-	-	(9,066)	(9,066)
Settlements	-	-	23,143	23,143
As at 30 June	<u>354,383</u>	<u>60,094</u>	<u>13,492</u>	<u>13,492</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	<u>27,762</u>	<u>-</u>	<u>(8,397)</u>	<u>(8,397)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	<u>-</u>	<u>15,763</u>	<u>-</u>	<u>-</u>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
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**1. Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM967.2 million for the current quarter ended 31 December 2020 as compared to RM924.2 million in the previous corresponding quarter, an increase of RM43.0 million or 4.7%. The increase was mainly due to higher contribution from insurance, investment banking and stockbroking divisions.

Hong Leong Bank Group recorded a profit before tax of RM815.3 million for the current quarter ended 31 December 2020 as compared to RM857.0 million in the previous corresponding quarter, a decrease of RM41.7 million or 4.9%. The decrease was mainly due to higher allowance for impairment losses on loans, advances and financing of RM221.4 million. This was however mitigated by higher revenue of RM162.5 million and lower operating expenses of RM15.3 million.

HLA Holdings Group recorded a profit before tax of RM127.1 million for the current quarter ended 31 December 2020 as compared to RM64.7 million in the previous corresponding quarter, an increase of RM62.4 million or 96.4%. The increase was mainly due to higher life fund surplus of RM43.9 million and higher revenue of RM24.4 million of which RM23.9 million was due to unrealised gain on revaluation of equities.

Hong Leong Capital Group recorded a profit before tax of RM53.4 million for the current quarter ended 31 December 2020 as compared to RM23.0 million in the previous corresponding quarter, an increase of RM30.4 million or 132.2%. The increase was mainly due to higher contribution from investment banking and stockbroking divisions.

**Current year-to-date against previous year-to-date**

HLFG Group recorded a profit before tax of RM1,955.0 million for the period ended 31 December 2020 as compared to RM1,837.9 million in the previous corresponding period, an increase of RM117.1 million or 6.4%. The increase was mainly due to higher contribution from all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM1,705.5 million for the period ended 31 December 2020 as compared to RM1,703.5 million in the previous corresponding period, an increase of RM2.0 million or 0.1%. The increase was mainly due to higher revenue of RM296.3 million, lower operating expenses of RM16.5 million and higher share of profit from associated companies of RM22.5 million. This was offset by higher allowance for impairment losses on loans, advances and financing of RM334.7 million.

HLA Holdings Group recorded a profit before tax of RM192.7 million for the period ended 31 December 2020 as compared to RM126.2 million in the previous corresponding period, an increase of RM66.5 million or 52.7%. The increase was mainly due to higher revenue of RM42.3 million of which RM38.0 million was due to unrealised gain on revaluation of equities and higher life fund surplus of RM38.0 million.

Hong Leong Capital Group recorded a profit before tax of RM106.1 million for the period ended 31 December 2020 as compared to RM47.5 million in the previous corresponding period, an increase of RM58.6 million or 123.4%. This was mainly due to higher contribution from the investment banking and stockbroking divisions.

**2. Current quarter against preceding quarter**

HLFG Group recorded a profit before tax of RM967.2 million for the current quarter ended 31 December 2020 as compared to RM987.8 million in the preceding quarter, a decrease of RM20.6 million or 2.1%. The decrease was mainly due to lower contribution from commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM815.3 million for the current quarter ended 31 December 2020 as compared to RM890.2 million in the preceding quarter, a decrease of RM74.9 million or 8.4%. The decrease was mainly due to higher allowance for impairment losses on loans, advances and financing of RM136.5 million. This was however mitigated by higher revenue of RM51.2 million and lower operating expenses of RM9.4 million.

HLA Holdings Group recorded a profit before tax of RM127.1 million for the current quarter ended 31 December 2020 as compared to RM65.6 million in the preceding quarter, an increase of RM61.5 million or 93.8%. The increase was mainly due to higher revenue of RM25.7 million and higher life fund surplus of RM49.3 million.

Hong Leong Capital Group recorded a profit before tax of RM53.4 million for the current quarter ended 31 December 2020 as compared to RM52.7 million in the preceding quarter, an increase of RM0.7 million or 1.3%. This was mainly due to higher contribution from asset management division.

**3. Prospects for the current financial year**

In view of the resurgence of COVID-19 cases and the subsequent tighter containment measures, we shall continue to prudently manage our key business risks and enhance our business continuity measures. We expect the strength of our liquidity, capital and credit discipline to serve us well as we continue a strong focus on risk management. We remain cautiously optimistic that the Malaysian economy will progressively recover in 2021.

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**4. Variance of actual profit from forecasted profit**

There was no profit forecast or profit guarantee issued by the Group.

**5. Taxation**

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Income tax	197,712	177,578	377,904	362,349
Transfer to deferred tax	(25,308)	(10,535)	(28,112)	(25,131)
	172,404	167,043	349,792	337,218
Prior year over provision	(365)	-	(44,823)	-
	172,039	167,043	304,969	337,218

	The Company		The Company	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Income tax	155	2,612	309	2,612
Transfer to deferred tax	(3)	(19)	(16)	(90)
	152	2,593	293	2,522

The effective tax rate for the Company for the current financial period is lower than the statutory rate of taxation as certain income was not subjected to tax.

**6. Status of corporate proposals**

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report.

**7. Borrowings**

	The Group		The Company	
	As at 31/12/2020 RM '000	As at 30/06/2020 RM '000	As at 31/12/2020 RM '000	As at 30/06/2020 RM '000
<b>Unsecured</b>				
RM Term loans	1,000	5,001	1,000	5,001
RM Revolving credit	100,084	205,644	100,084	205,644
RM Medium term notes	-	223,027	-	253,445
RM Commercial papers	235,783	338,975	235,783	338,975
RM Senior notes	380,134	380,180	405,432	405,441
	717,001	1,152,827	742,299	1,208,506
Repayment of term loans				
- Less than one year	1,000	5,001	1,000	5,001
Repayment of revolving credit				
- Less than one year	100,084	205,644	100,084	205,644
Repayment of medium term notes				
- Less than one year	-	223,027	-	253,445
Repayment of commercial papers				
- Less than one year	235,783	338,975	235,783	338,975
Repayment of senior notes				
- Less than one year	380,134	5,530	405,432	5,455
- One to three years	-	374,650	-	399,986
	717,001	1,152,827	742,299	1,208,506

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**8. Subordinated obligations**

	Note	The Group		The Company	
		As at 31/12/2020	As at 30/06/2020	As at 31/12/2020	As at 30/06/2020
		RM '000	RM '000	RM '000	RM '000
RM600.0 million Tier 2 subordinated debt, at par	(a)	590,000	300,000	-	-
Add: Interest payable		4,864	4,683	-	-
		<u>594,864</u>	<u>304,683</u>	<u>-</u>	<u>-</u>
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		2,603	2,479	2,603	2,479
		<u>1,602,603</u>	<u>1,602,479</u>	<u>1,602,603</u>	<u>1,602,479</u>
Less: Unamortised discounts		(160)	(180)	(1,624)	(1,885)
		<u>1,602,443</u>	<u>1,602,299</u>	<u>1,600,979</u>	<u>1,600,594</u>
		<u>2,197,307</u>	<u>1,906,982</u>	<u>1,600,979</u>	<u>1,600,594</u>

(a) On 3 February 2020, Hong Leong Assurance Berhad ("HLA"), a wholly owned subsidiary of HLA Holdings Sdn Bhd and also an indirect subsidiary of HLFGB, completed the Subordinated Notes ("Sub-Notes") issuance of RM300.0 million in nominal value. The Sub-Notes were issued for a period of 10 years on a 10 non-callable 5 years basis with a coupon rate of 3.85% per annum.

On 28 December 2020, HLA completed two issuances of Sub-Notes for RM150.0 million in nominal value each. The Sub-Notes were issued for a period of 5 years basis with a coupon rate of 3.45% per annum and 8 years basis with a coupon rate of 3.70% respectively.

The above Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

(b) On 25 June 2018, the Company had issued an unsecured RM500.0 million nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.93% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM500.0 million Tier 2 subordinated notes issued by Hong Leong Bank Berhad ("HLB"), a subsidiary of the Company.

Subsequently, on 14 June 2019, the Company issued an unsecured RM1.1 billion nominal value Sub-Notes. The Sub-Notes carry a distribution rate of 4.30% per annum with a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM1.0 billion Tier 2 subordinated notes issued by HLB and RM100.0 million Tier 2 subordinated notes issued by Hong Leong Investment Bank Berhad ("HLIB"), the subsidiary companies of the Company.

**9. Multi-currency Additional Tier 1 capital securities**

	The Group		The Company	
	As at 31/12/2020	As at 30/06/2020	As at 31/12/2020	As at 30/06/2020
	RM '000	RM '000	RM '000	RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	800,000	800,000	800,000
Add: Interest payable	6,799	6,804	6,799	6,804
	<u>806,799</u>	<u>806,804</u>	<u>806,799</u>	<u>806,804</u>
Less: Unamortised discounts	(245)	(305)	(965)	(1,165)
	<u>806,554</u>	<u>806,499</u>	<u>805,834</u>	<u>805,639</u>

On 30 November 2017, the Company issued an unsecured RM400.0 million nominal value of Multi-currency Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 5.23% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by HLB.

Subsequently, on 29 March 2019, the Company issued a second tranche of unsecured RM400.0 million nominal value Capital Securities. The Capital Securities carry a distribution rate of 4.82% per annum, perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by HLB.

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**10. Off-balance sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 31 December 2020

**The Group**

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	39,471,674	394,296	(812,221)
(ii) 1 year to 3 years	223,713	-	(11,923)
- Swaps			
(i) Less than 1 year	7,954,329	115,588	(48,613)
(ii) 1 year to 3 years	2,664,034	107,012	(43,762)
(iii) More than 3 years	1,754,481	88,054	(31,457)
- Options			
(i) Less than 1 year	2,405,792	7,614	(10,309)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	6,605,572	1,195	(1,566)
- Swaps			
(i) Less than 1 year	22,898,502	61,250	(131,156)
(ii) 1 year to 3 years	19,867,166	168,020	(416,496)
(iii) More than 3 years	12,290,167	273,595	(329,398)
- Cross currency swaps			
(i) 1 year to 3 years	299,145	23,353	(15,999)
Equity related contracts			
(i) Less than 1 year	356,339	13,421	(12,562)
(ii) 1 year to 3 years	130,573	3,414	(3,414)
(iii) More than 3 years	266,353	42,812	(42,734)
Credit related contracts			
(i) More than 3 years	493,037	21,119	(21,119)
Commodity related contracts			
(i) Less than 1 year	30,415	4,208	(4,178)
<b>Total</b>	<b>117,711,292</b>	<b>1,324,951</b>	<b>(1,936,907)</b>

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**10. Off-balance sheet financial instruments (continued)**

Details of financial instruments with off-balance sheet risk as at 30 June 2020

**The Group**

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	34,236,510	320,329	(194,060)
(ii) 1 year to 3 years	260,554	3,542	-
- Swaps			
(i) Less than 1 year	6,917,527	54,815	(99,482)
(ii) 1 year to 3 years	2,269,351	89,753	(46,348)
(iii) More than 3 years	1,848,160	82,187	(2,092)
- Options			
(i) Less than 1 year	1,067,489	6,746	(7,343)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	1,744,100	492	(65)
(ii) 1 year to 3 years	1,284,000	8	-
- Swaps			
(i) Less than 1 year	18,578,517	54,213	(83,659)
(ii) 1 year to 3 years	24,290,388	227,966	(509,539)
(iii) More than 3 years	12,150,652	295,485	(404,715)
- Cross currency swaps			
(i) 1 year to 3 years	197,275	6,436	-
(ii) More than 3 years	107,120	1,220	(21,158)
Equity related contracts			
(i) Less than 1 year	264,263	11,970	(11,972)
(ii) 1 year to 3 years	136,115	1,523	(1,523)
Credit related contracts			
(i) More than 3 years	291,272	19,960	(19,960)
<b>Total</b>	<b>105,643,293</b>	<b>1,176,645</b>	<b>(1,401,916)</b>

Foreign exchange, interest rate, equity and commodity related contracts are subject to market risk and credit risk.

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM36,105,000 (30 June 2020: RM105,074,000) and RM58,172,159,000 (30 June 2020: RM55,595,557,000) respectively.

Derivatives

Market risk arises from the impact on trading positions of changes in foreign exchange rates and interest rates. It also includes the impact from changes in the correlations and volatilities of other risk factors. The Group manages trading market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including limit setting and independent model validation, monitoring and valuation. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

**Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,326,462,000 (30 June 2020: RM1,136,760,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.



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**10. Off-balance sheet financial instruments (continued)**

**Credit risk (continued)**

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

The Group uses the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk of futures contracts is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (ie, cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statements of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

**Liquidity risk**

Derivatives

Liquidity risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

**Related accounting policies**

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the statements of income unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statements of income. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of income.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the statements of income. The deferred gains and losses are then released to the statements of income in the periods when the hedged items affects the statements of income.

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**11. Material litigation**

The Group does not have any material litigation which, in the opinion of the Directors, would have a material adverse impact on the financial results of the Group.

**12. Dividend**

A single-tier interim dividend of 10.80 sen per share has been declared by the Company for the current quarter.

- (i) Amount per share: 10.80 sen per share
- (ii) Previous corresponding period: NIL
- (iii) Entitlement date: 15 March 2021
- (iv) Payment date: 30 March 2021

**13. Earnings per share**

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) in issue during the financial period.

	The Group		The Group	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Net profit attributable to equity holders	527,582	502,960	1,114,615	993,161
Weighted average number of ordinary shares ('000)	1,133,789	1,135,941	1,133,793	1,136,571
<b>Basic earnings per share (sen)</b>	<b>46.5</b>	<b>44.3</b>	<b>98.3</b>	<b>87.4</b>

  

	The Company		The Company	
	Current quarter ended 31/12/2020 RM '000	Last year quarter ended 31/12/2019 RM '000	Current year to date 31/12/2020 RM '000	Last year to date 31/12/2019 RM '000
Net profit attributable to equity holders	383,430	535,876	366,846	515,312
Weighted average number of ordinary shares ('000)	1,137,881	1,137,881	1,137,881	1,138,087
<b>Basic earnings per share (sen)</b>	<b>33.7</b>	<b>47.1</b>	<b>32.2</b>	<b>45.3</b>

(b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial period as there are no dilutive potential ordinary shares.

Dated this 26 February 2021